

April 16, 2001

To: Potential Conference Hotel RFQ Respondents  
From: The City of Mountain View  
Re: Question Responses

The City of Mountain View recently released a request for qualifications (RFQ) to lease and develop up to 14.4 acres for conference hotel development. This letter summarizes questions and responses that the City has received to date regarding the development opportunity. More information about the development opportunity can be obtained from the City of Mountain View's Internet site at [www.ci.mtnview.ca.us](http://www.ci.mtnview.ca.us) (click on "Charleston East Conference Hotel"). Further inquiries can be addressed to Terry Margerum of Sedway Group, at 415-781-8900 ([tmargerum@sedway.com](mailto:tmargerum@sedway.com)), or the City of Mountain View's Economic Development Manager, Ellis Berns, at 650-903-6306 ([ellis.berns@ci.mtnview.ca.us](mailto:ellis.berns@ci.mtnview.ca.us)).

#### AVAILABLE SITE AND ENTITLEMENTS

1. ***Developable Square Footage.*** Please refer to the North Bayshore Precise Plan, Section III, Building Area and Incentives for Private Development, Paragraph A: Allowable Building Area (Gross). Is the 345,000 square feet referenced under subsection 2-d in addition to the square footages itemized in subsections 2-a to 2-c, or a breakout of these sums? Has the additional square footage been developed, or has the City of Mountain View received any applications to develop this square footage?

- The 500,000 square feet referenced in subsection 2-a refers to Charleston West, approximately 22 acres of land adjacent to Charleston East which are fully built out with the main campus building for SGI. The 40,000 square feet for commercial use referenced in subsection 2-b could potentially be added to the 345,000 square feet in subsection 2-d, provided that such development was for commercial uses, such as restaurant space, open to the public. The 285,000 square feet for hotel use referenced in subsection 2-d is the subject of the conference hotel RFQ issued by the City on March 16; the additional 60,000 square feet of cultural/educational square footage will be the subject of a future RFP process. For exceptional conference hotel projects that maximize publicly accessible space, subsection 2-e allows the addition of up to 50,000 square feet of building area to the 285,000 square feet listed in subsection 2-d. The 220,000 square feet of cultural/educational floor area in 2-c would apply only if 345,000 square feet of development were not built as allowed by 2-d, and the entire 18.6 acres of Charleston East were developed with a cultural/educational use.

2. **Available Site Area.** *The City is offering up to 14.4 acres to conference hotel developers in the RFQ. This 14.4 acres includes up to 12.4 acres available without restriction and 2.0 acres available only to “exceptional” projects that maximize conference space and publicly accessible areas. Would the City view a corporate training/executive development center as meeting the criteria for use of the restricted 2.0-acre portion of Charleston East?*

- The City has not developed detailed criteria for the 2.0-acre restricted area. While there have been no formal decisions, it should be noted that some Council members and Planning Commissioners have commented that the use should be one that serves the broad community, suggesting that a more focused corporate training center might meet this criterion. However, such a training center could also be incorporated as part of the development on 12.4 acres.

#### **ADJACENT LAND USES**

3. **Preferential Golf Course Use.** *The amenities of Shoreline Regional Park offer significant benefits to the conference hotel, particularly the Robert Trent Jones II-designed golf course. Please describe any preferential playing rights or other arrangements that could be considered by the City in conjunction with the ground lease.*

- No decisions have been made by the City Council about the possibility of preferential playing rights or other arrangements that might be offered in conjunction with the ground lease. The City will consider creative suggestions from RFQ respondents that would benefit conference hotel guests while still respecting the public nature of the golf course.

4. **Allowable Cultural/Educational Uses.** *What are some of the cultural/educational uses that the City is contemplating for and/or prefers for the 4.2 acres adjacent to the conference hotel site?*

- The City has not yet determined which specific uses will be sought for the 4.2-acre cultural/educational site that is adjacent to the 14.4-acre conference hotel site. A public scoping process will be facilitated by a consultant beginning in the Spring of 2001 in order to focus potential uses and establish selection criteria for a future RFP process for that site. Uses considered in the past have included museums, interactive exhibits, and adult educational facilities.

5. **Amphitheater Proximity.** *What issues (noise, traffic, etc.) does the City foresee for the conference hotel from the adjacent Shoreline Amphitheater?*

- Shoreline Amphitheater operates for eight months of the year from March through October. The Amphitheater holds approximately 40 to 45 concerts per year, which primarily occur on weekends during times that are expected to be off-peak for the conference hotel. The Initial Study (See Initial Study - North Bayshore Precise Plan Amendments, January 15, 2000) indicated that developers of a conference hotel could use acoustic insulation to reduce audible concert sound inside the hotel. Audible sound at outdoor activity areas could also be reduced by locating these areas away from the Amphitheater or by configuring the building to provide shielding between the Amphitheater and outdoor activity areas.
- A traffic study completed as part of the Initial Study was based upon existing land uses as well as a 300-room conference hotel and an elementary school as the adjacent cultural/education use on Charleston East. This traffic study concluded that such a development program

resulted in no significant impacts. Also, it should be noted that the City has a traffic management program in place that minimizes traffic impacts associated with Shoreline Amphitheater during the concert season.

6. ***Water and Tidal Issues.*** *When visiting the site several years ago, it was noticed that there were some noticeable odors under certain wind patterns. What might have caused these odors and has anything been done recently to mitigate them?*

- Several years ago, the cities of Mountain View and Los Altos maintained a water treatment plant near the site on San Antonio Road that may have caused some odors. However, that plant has been decommissioned and the closest water treatment plant is now 5 to 6 miles from Charleston East. This plant is not known to produce odors. There are occasionally odors from the nearby San Francisco Bay during extremely low tides, and red tide algae blooms have occasionally produced odors in salt ponds on the Bay. Several of the salt ponds have already been converted back to tidal flow ponds over the last few years, and the rest are currently subject to negotiation for purchase by an open space district. Continued conversion of the salt ponds back to tidal flow ponds is expected to reduce and eventually eliminate the occurrence of red tide algae blooms in the vicinity of Mountain View.

## **BUSINESS TERMS**

7. ***Possessory Interest Tax Calculation.*** *What formula will be used to calculate the possessory interest tax that will be assessed in lieu of property tax?*

- The City of Mountain View expects that the formula for possessory interest tax will be consistent with the State of California's and County of Santa Clara's method for calculating possessory interest tax for publicly held land. For estimating purposes, one could use the standard method for calculating property tax in California, which is 1% of the assessed value of the land and improvements. Taxes are increased a maximum of 2% per year. If more specific information about the possessory interest tax is required, the City of Mountain View suggests contacting the County of Santa Clara Assessment Office at (408) 299-2401.

8. ***Performance Benchmarks.*** *The Minimum Business Terms section of the RFQ calls for "performance benchmarks, with clear termination provisions for non-performance." Please provide additional detail related to the minimum performance benchmarks that the City expects to incorporate in the ground lease.*

- Appropriate performance benchmarks will be determined during ground lease negotiations. Example benchmarks include: deadlines for the submission of completed project plans, demonstration of financing commitments, commencement of construction, completion of construction, commencement of ground rent, etc.

9. ***Examples of Adequate Assurances.*** *What are some examples of "adequate assurances" for completion of the project?*

- Examples of adequate assurances for completion of the project include performance bonds, provisions for liquidated damages, and developer financial guarantees.

**10. Labor Agreement Requirement.** *In connection with the “labor agreement” referenced in the RFQ, will the City require that union construction personnel be utilized?*

- The required labor agreement in the RFQ applies to hotel operations and does not address construction labor. Therefore, there are currently no requirements associated with construction labor. Further, the required agreement must simply establish ground rules for behavior of the hotel developer/operator and union during any potential organizing effort (e.g., through the signing of a labor neutrality agreement). Such agreements are not uncommon in the Mountain View area. It is not required that hotel labor be unionized. That decision is to be made by future employees.

**11. Potential for Economic Assistance.** *In light of the substantial economic downturn in the capital markets, will the City consider supporting the development through economic assistance? Along these lines, would the City of Mountain View be legally or practically able to pass along any energy savings that it may be entitled to as a municipality?*

- The City Council has indicated in the past that this is to be a market rate deal and therefore that it is unlikely that economic assistance will be available. This position does not preclude the City’s willingness to be creative in order to facilitate project financing. Developers may propose creative financing options if selected as part of the short list to respond to the RFP. However, it should be noted that the City will maintain a long-term perspective with the deal. To the extent that there are temporary problems in the capital markets, the City will not allow these difficulties to influence its decision regarding economic assistance.
- The City is not aware of any energy savings programs that may be available. However, passing along energy savings would be a condition subject to negotiation.

**12. Ground Lease Flexibility.** *In light of the ground lease requirements that make the project more difficult to finance conventionally, how does the City envision the hotel being financed? How flexible can the City be with its lease terms taking into account the requirements that conventional lenders may have?*

- Both the City and its consultants have experience negotiating financeable ground leases with adequate lender protections. To that extent, we believe that the project can be financed. As stated above, the City will not allow the terms of a long-term ground lease to be substantially dictated by temporary market conditions. The City will consider discussion of creative financing mechanisms during the RFP and negotiations phases of the process.

**13. Minimum Ground Rent.** *Based on the City’s return criteria, what is the minimum ground rent the City expects to receive on a yearly basis?*

- No minimum ground rent has been established. The City will calculate the land value and associated ground rent in terms of a financially feasible amount per room rather than an amount per square foot of land. The amount per room basis is appropriate given the City’s requirements for significant landscaped site area and public space. Expected ground rent will be based upon specific project proposals and their associated development costs and operating projections. Ground rent will represent a market rate return on individual conference hotel projects that are proposed.